

1                   S P E C I F I C A T   I O N S

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3   METHOD AND SYSTEM FOR AUCTIONING BAD DEBTS UTILIZING AN ASSORTING  
4   ARANGEMENT BASED ON THE GEOGRAPHIC LOCATION WHERE JURISDICTION IS  
5                   PRESENT OVER THE DEBTOR

6

7                   **BACKGROUND OF THE INVENTION**

8   The field of the invention is online auctions and the invention  
9   relates more particularly to a method and system for auctioning  
10   bad debts.

11                 Online auctions have regularly been used to sell products to  
12   the bidder who posts the highest bid. In recent years, this  
13   method of selling has gained much popularity among growing  
14   businesses and product merchants. The reasons for this relates  
15   to the selling advantages that can only be offered by online  
16   auctions. For example, online auctions allow the seller to  
17   obtain a far greater customer reach then is offered by other  
18   selling methods. In this respect, much more consumers can  
19   participate in the sale of a good since they can join the auction  
20   at any place and time simply by logging onto the appropriate  
21   internet site. Additionally, online auctions allow sellers to  
22   categorize a multitude of distinct items so that bidders may  
23   quickly be able to find and bid on any particular item they want.

24                 Although most products and items can be sold through an  
25   online auction, bad debts are of significant interest. Since the  
26   emergence of credit based transactions, creditors and lending

1 institutions have continuously been burdened by a debtor's  
2 failure to pay their debt. Although several collection schemes  
3 such as payment plans and debt reduction are routinely used by  
4 lending institutions and collection agencies, the amount of  
5 uncollected and/or delinquent bad debt (herein after "bad debt")  
6 remains staggering. Often, the only viable method for collection  
7 of the bad debt is legal action.

8 Despite the advantages offered by legal recourse, it has  
9 severe limitations. Most prominent of these involve  
10 jurisdictional issues. This is because a debtor can only be sued  
11 in a court of law that has jurisdiction over him (i.e.  
12 jurisdiction over the debtor's person or property). Often, this  
13 means that the debtor must be sued in the state where they reside  
14 or are most likely, domiciled. As a result, creditors who are  
15 situated in other jurisdictions are placed at a severe  
16 disadvantage. In order to collect the debt, they must either  
17 travel to the state holding jurisdiction or hand the debt over to  
18 a collection agency. The first option would cause the creditor  
19 to incur expenses in lost time, work, and travel while the second  
20 would require them to pay high fees for collection efforts and  
21 await resolution.

22 It should be mentioned that in some situations, a state  
23 court can have jurisdiction over a debtor that no longer lives  
24 within its state's boundaries. This usually occurs if the debtor  
25 has had sufficient contact with, or has tangible assets situated  
26 in that particular state. The result is that a creditor can get

1    a judgment against a debtor in one of these states. Although  
2    this would appear to make it easier for the creditor to collect,  
3    especially if the creditor is situated in that particular state,  
4    such is rarely the case. This is because most debtors with  
5    delinquent and/or uncollected debts do not leave any assets in  
6    states they no longer live in. Furthermore, given the debtor's  
7    non-domicile in the state, a garnishment order from that state's  
8    court is not a practical method for collecting the bad debt due  
9    to issues relating to enforcement. In the event that such an  
10   order is obtained, the creditor would most likely need to go to a  
11   court that is situated in the debtor's current state of domicile  
12   and obtain an order enforcing the prior state's judgment. Such  
13   efforts clearly involve a substantial degree of hassle and  
14   expense. Therefore, it is no surprise that a judgment in a state  
15   where the debtor is not domiciled does little or nothing towards  
16   collection of the bad debt. The reality is that in most  
17   situations, collecting a bad debt from its debtor is only  
18   possible in jurisdictions where the debtor is situated or  
19   domiciled. This is simply because it is there where the debtor  
20   and most of their assets are likely to be located.

21       As if collection of bad debts was not hard enough, efforts  
22   have been further curtailed by a debtor's frequent and sudden  
23   leave from a given jurisdiction. It is a reality that people  
24   regularly re-locate from state to state for various reasons.  
25   This behavior, however, tends to occur more frequently with  
26   debtors who attempt to avoid payment of a financial judgment

1 against them. All too often, the result is that a creditor,  
2 after having spent time and money in obtaining a judgment in a  
3 particular jurisdiction, will have to chase the debtor into a new  
4 jurisdiction in order to collect the debt. This scenario can  
5 repeat over and over resulting in endless amounts of time and  
6 money spent with no substantial recovery of the debt at issue.

7 Due to these problems, selling the bad debt has, in many  
8 respects, become the preferred method for disposing of it. This  
9 is because selling the bad debt to a 3<sup>rd</sup> party ensures some  
10 payment to the creditor unlike collection efforts which may be  
11 unsuccessful. Although selling the bad debt would require the  
12 creditor to discount its value, the risk of collection would  
13 nevertheless, be passed on to the 3<sup>rd</sup> party buyer. Here, the  
14 creditor would quickly liquefy the debt and avoid the burdens of  
15 chasing the debtor for a judgment and final payment. It is  
16 noteworthy to mention that selling the bad debt as opposed to  
17 holding it and attempting to collect has one other appealing  
18 factor. With efforts to collect, even assuming that satisfactory  
19 payment is made, the creditor looses valuable interest and  
20 business opportunity that could have been generated from a quick  
21 sale of the bad debt.

22 Although the idea of selling bad debts to third parties is  
23 promising, such a scheme is difficult to achieve on a high volume  
24 scale given the problem of finding buyers situated in the  
25 debtor's jurisdictional district. This problem is especially  
26 troublesome to firms issuing credit whose customers are

1 nationally spread. Since most potential bad debt buyers would  
2 find it unprofitable to purchase bad debts belonging to debtors  
3 that were out of their jurisdiction's reach, efforts to sell have  
4 been limited.

5 Several companies have developed online auctions aimed at  
6 selling debt. Unfortunately, these sites focus on the sale of  
7 debts in good standing (i.e. non-delinquent debts such as  
8 mortgage loans) rather than uncollected and/or delinquent debts.  
9 Furthermore, none of these sites deal with the jurisdictional  
10 problem associated with collection of bad debts.

11

#### 12 **BRIEF SUMMARY OF THE INVENTION**

13 The present invention is for a method and system for  
14 auctioning bad debts utilizing an assorting arrangement based on  
15 the geographic location where jurisdiction is present over the  
16 debtor. The method and system establishes an online auction  
17 forum on a remote host system which is connected to a  
18 communications network and utilizes hardware and software means.  
19 The online auction software may be configured to run multiple,  
20 concurrent, and distinct auction sessions on the remote host  
21 system, and has database modules and at least one designated  
22 location bidding site. Each database module relates to a  
23 specific geographic location and contains data for bad debts that  
24 are associated with the same geographic location as that of the  
25 database module. Additionally, each database module relates to a  
26 designated location bidding site that is associated with the same

1 geographic location as that of the database module. The data for  
2 each bad debt can consist of select information pertaining to the  
3 bad debt that is determined to be informative and suitable for  
4 display on the auction forum and comprises a distinct bad debt  
5 item. Bad debt items contained in a particular database module  
6 can be rotatively displayed on the designated location bidding  
7 site that relates to the same geographic location as that of the  
8 database module. Potential buyers wishing to view or bid on bad  
9 debt items may enter the desired designated location bidding site  
10 for such purposes. Bad debt items that do not generate the  
11 minimum bid request amount may be classified back into their  
12 respective database so that they may be re-displayed on the  
13 location bidding site at a later time. In the alternative, bad  
14 debt items that do generate the minimum bid request amount will  
15 be deemed sold and may be re-classified into a database  
16 designated for processing. Through this method and system, it is  
17 expected that creditors may collect on bad debts owed to them by  
18 being able to easily and more effectively, locate buyers who are  
19 situated in a territorial district that has jurisdiction over the  
20 debtor.

21

#### **BRIEF DESCRIPTION OF THE DRAWINGS**

22 FIG. 1 is an overview flowchart depicting the general flow  
23 of information that occurs between a remote host system and  
24 multiple client systems in the method and system for auctioning

1 bad debts in accordance with an embodiment of the present  
2 invention.

3 FIG. 2 is a screen view of a location bidding site selection  
4 menu, as seen from a client system, in accordance with an  
5 embodiment of the present invention.

6 FIG. 3 is a screen view of a designated location bidding  
7 site, as seen from a client system, in accordance with an  
8 embodiment of the present invention, wherein an auction for three  
9 bad debt items is currently running.

10 FIG. 4 is a screen view of three distinct types of bad debt  
11 items, each of which can be seen from a client system.

12 FIG. 5 is an overview flowchart pictorially depicting the  
13 continuous rotation of bad debt items from their respective  
14 designated location bidding site database to their respective  
15 designated location bidding site and back again.

16 FIG. 6 is a block diagram of the information flow that  
17 occurs in the method and system for auctioning bad debts in  
18 accordance with a preferred embodiment of the present invention.  
19

## 20 DETAILED DESCRIPTION OF THE PREFERRED EMBODIMENTS

21 FIGS. 1-6 together show a method and system (hereinafter  
22 "method"), generally indicated at reference character 100 in FIG.  
23 1, for auctioning, over a communications network, such as the  
24 Internet, bad debts utilizing an assorting arrangement based on  
25 the geographic location where jurisdiction is present over a  
26 debtor. All the FIGS. illustrate a process by which a client can

1 locate, bid for, and purchase bad debts that may be collected in  
2 a territorial district that has jurisdiction over the debtor and  
3 in which the purchaser and debtor are most likely situated.

4 As noted in the background discussion, the geographic  
5 location where jurisdiction is present over the debtor is a key  
6 factor in selling a bad debt to a third party purchaser. To this  
7 effect, the method 100 functions to drastically increase the  
8 potential buyers for bad debts by making the bad debts readily  
9 available to clients located in or near the geographic  
10 location(s) that have jurisdiction over the debtor. This may be  
11 accomplished by classifying a bad debt in a location bidding site  
12 database that is associated with a territory location which has  
13 jurisdiction over the respective debtor. As a result, creditors  
14 will be able to sell their bad debts much more quickly,  
15 efficiently, and without the expense and burdens typically  
16 associated with collection efforts. Thus, the method 100  
17 provides an online environment from which potential clients can  
18 bid for a bad debt and, if successful in purchasing it, undertake  
19 collection efforts themselves.

20 It is notable that the term "bad debt" is defined and  
21 understood herein and in the claims to mean any owed debt that is  
22 uncollected and/or delinquent. Bad debts are typically possessed  
23 by most creditors including, but not limited to, banks, lenders,  
24 credit institutions, retailers, wholesalers, private parties,  
25 etc. Bad debts may also be held by collection agencies who's job  
26 it is to liquefy the debt owned by themselves or by a 3<sup>rd</sup> party

1 creditor. The term "bad debt item" is defined and understood  
2 herein and in the claims to mean a collection of data comprised  
3 of select information pertaining to a particular bad debt.  
4 Select information can consist of data that is determined to be  
5 informative and suitable for display on the online auction forum.  
6 Such data can be, but is not limited to the geographic location  
7 where the debtor is currently situated, the geographic location  
8 of all the known territories that have jurisdiction over the  
9 debtor, the uncollected value of the bad debt, the debtor's  
10 identity profile, a predetermined minimum bid request amount, the  
11 fractional share and value that was apportioned from the whole of  
12 a bad debt, etc. Additionally, select information can include  
13 rating information that is related to the potential for  
14 collection of the bad debt (e.g. the debtor's credit rating as  
15 per Dunn & Brad Street/TRW standards, etc.) and an estimation as  
16 to the chances for collection. Lastly, it should be mentioned  
17 that the collection of data, comprising the bad debt item, can  
18 pertain, but is not limited to, one bad debt in its entirety, an  
19 assortment of distinct bad debts grouped together (hereinafter  
20 "lot package"), or a financially broken-up portion/fraction of a  
21 whole bad debt (hereinafter "apportioned bad debt"), and will be  
22 further discussed later in this disclosure.

23 It is also notable that although the following discussion  
24 will primarily be in the context of the Internet (11 in FIG. 1),  
25 also known as the World Wide Web, the term "communications  
26 network", as used herein and in the claims, is intended to

1 include all forms of network environments that are known to those  
2 in the relevant technical art. Thus, the method 100 is equally  
3 applicable to all interconnected computer systems capable of  
4 transmitting and receiving data, including, but not limited to,  
5 all telecommunications networks such as the Internet 11 (i.e. the  
6 World Wide Web), gopher, and BBS systems, etc. Furthermore,  
7 method 100 is applicable to all data communication systems,  
8 including, but not limited to, hardwire telephony, wireless  
9 networks such as cellular and PCS systems, satellite networks,  
10 etc.

11 FIG. 1 shows the general flow of information that occurs  
12 between a remote host system and multiple client systems in the  
13 method 100. The method 100 enables a host service provider  
14 operating a remote host system, generally indicated at reference  
15 character 14, to provide an online auction software 15 to clients  
16 in the general public, represented by three individuals indicated  
17 at reference characters 1, 4, and 7. The software 15 is typically  
18 installed on data storage element 21, such as a hard drive disk  
19 or other data storage medium, and is processed and executed by  
20 data processing element, such as a central processing unit (CPU)  
21 20 that is working with a system memory element (not shown).  
22 Furthermore, the software 15 can be network configured to run  
23 multiple, concurrent, and distinct auction sessions on the remote  
24 host system 14, in a manner known to those in the relevant art.  
25 Thus, multiple clients may concurrently and individually access  
26 and participate in distinct auctions, each of which is running on

1 online auction software 15, as indicated by arrows 3,6, and 9.  
2 Finally, remote interface element 12 may allow for public access  
3 to the online auction software 15 so that each of the clients  
4 1,4, and 7, can participate in a particular auction that is  
5 running on online auction software 15.

6 Accessing the software 15 typically entail a process whereby  
7 the client logs on to the internet 11 through an internet service  
8 provider (ISP) 10. Upon entering the correct URL address, the  
9 client system(s) 2, 5, and/or 8 may be taken through remote  
10 interface 12 and preferably to the host web page application 13  
11 prior to gaining access to online auction software 15. A host  
12 web page application, as referenced by character 13, would  
13 typically introduce the online auction software 15 and its  
14 operation to the client and would provide an initializing link to  
15 the software 15.

16 The online auction software 15 preferably has a location  
17 bidding site selection menu 16 which contains at least one  
18 geographic locality from which the client can choose. FIG. 2  
19 illustrates location bidding site selection menu 16, as it may be  
20 seen from a client's system. The selection menu 16 has a variety  
21 of different geographic localities to choose from, a scroll bar  
22 26, and a select button 27. Selection menu 16 allows each of the  
23 clients 1,4, and 7 to choose a particular geographic locality  
24 from which to view and/or bid on bad debts. Each particular  
25 geographic locality on selection menu 16 is linked to a  
26 designated location bidding site that relates to the same

1 geographic locality. For example, selection menu 16 displays  
2 that a client has highlighted the "Los Angeles, CA" locality, as  
3 shown by reference character 25. Upon clicking the select button  
4 27, the client will be taken to the "Los Angeles bidding site",  
5 which only displays bad debt items belonging to debtors who are  
6 under the jurisdiction of Los Angeles County. Of course, it is  
7 possible for a debtor to be under the jurisdiction of more than  
8 one territory. This is often the case when a debtor re-locates  
9 throughout the nation. Given this, the bad debt item can be  
10 displayed in a number of different designated location bidding  
11 sites, each of which relate to a territory that has jurisdiction  
12 over the debtor. Preferably, however, the geographic locality  
13 where the bad debt item is classified into is the territory that  
14 the debtor is currently domiciled in. This is because it is the  
15 debtor's current domicile where most of their assets are likely  
16 to be. Furthermore, it is in this territory where collection  
17 efforts including wage garnishment, asset attachment, liens, and  
18 the like are most likely to be successful. It should be  
19 mentioned that although selection menu 16 only displays eight  
20 geographic localities, it is, of course, contemplated that  
21 numerous other localities, each relating to a particular  
22 jurisdictional territory, may be utilized by the online auction  
23 software 15. Scroll bar 26, which is located on selection menu  
24 16, illustrates this contemplation.

25 As shown in FIG. 3, after a particular locality is selected  
26 from selection menu 16, client system 2,5, and/or 8 are taken to

1 the designated location bidding site 17 that is related to the  
2 same geographic locality selected in selection menu 16. It is in  
3 the designated location bidding site 17 where bad debt items will  
4 preferably be auctioned and available for viewing by prospective  
5 clients. In this respect, data information may be transmitted  
6 from the designated location bidding site 17 to the client  
7 systems 2, 5, and 8, as indicated by reference characters 22, 23,  
8 and 24 respectively. As previously mentioned, the designated  
9 location bidding site 17 will preferably display bad debt items  
10 that belong to debtors who are under the jurisdiction of the same  
11 locality as that of the selected designated location bidding  
12 site.

13 As seen from client systems 2, 5, and/or 8, designated  
14 location bidding site 17 will display bad debt items currently  
15 being auctioned. The auctioning of bad debt items will  
16 preferably be conducted utilizing consecutive and concurrent  
17 bidding phase intervals. The term "bidding phase interval" is  
18 defined and understood herein and in the claims to mean a  
19 particular and separate auction session that has a predetermined  
20 running time, during which clients may bid on the specific bad  
21 debt items displayed for auction on that particular "bidding  
22 phase interval" auction session.

23 By stating that bidding phase intervals may run in a  
24 consecutive manner, it is meant that a new bidding phase interval  
25 will begin upon the ending of a prior bidding phase interval. To  
26 this effect, it is preferred that all of the bad debt items

1 contained in a designated location bidding site database would  
2 not be displayed and auctioned at the same time. Here, the  
3 number of bad debt items displayed in a particular bidding phase  
4 interval can be predetermined. For example, the online auction  
5 software 15 can be programmed to allow only 15 bad debt items to  
6 appear in each bidding phase interval. After the end of that  
7 bidding phase interval, a subsequent bidding phase interval will  
8 appear, likewise, offering only 15 bad debt items.

9 The advantages to limiting the number of bad debt items  
10 auctioned per bidding phase interval are threefold. First, it  
11 allows clients to consider purchasing less favored or higher risk  
12 bad debt items. Second, displaying bad debt items on different  
13 bidding phase intervals entices a client to return to the online  
14 auction forum and view a new assortment of bad debt items, many  
15 of which would be placed on display for the first time. Last, a  
16 limitation arrangement would reduce confusion and delay in the  
17 bidding process by narrowing the amount of bad debt items that a  
18 client can choose to bid on. If the client is not content on  
19 bidding on any of the bad debt items displayed, they can simply  
20 wait until the next bidding phase interval (which contains a new  
21 assortment of bad debt items) begins.

22 By stating that bidding phase intervals may run in a  
23 concurrent manner, it is meant that each designated location  
24 bidding site, as exemplified by reference character 17, will  
25 display a separate and distinct bidding phase interval that runs  
26 simultaneously with other bidding phase intervals running on

1 other designated location bidding sites. Additionally, it is  
2 contemplated that a designated location bidding site may have  
3 more than one bidding phase interval that is running  
4 "concurrently" with another bidding phase interval on the same  
5 designated location bidding site. In such a case, client(s) 1,4,  
6 and/or 7, after entering a designated location bidding site,  
7 would be able to select from a number of distinct bidding phase  
8 intervals and view or bid on bad debt items that are up for  
9 auction in the particular bidding phase interval they chose.  
10 Preferably, however, each designated location bidding site would  
11 have single bidding phase intervals that are consecutively  
12 running one after the other.

13       Each bidding phase interval running on a designated location  
14 bidding site may indicate the amount of time that is left for  
15 bidding on bad debt items auctioned during that particular  
16 bidding phase interval. As seen in FIG. 3, designated location  
17 bidding site 17 has a time display 28, indicating that only one  
18 hour remains in the bidding phase interval. This means that  
19 there is only one hour left for clients to bid on the bad debt  
20 items displayed in the auction shown in FIG. 3. After the time  
21 limit expires for a bidding phase interval, that auction is  
22 officially closed and any further bids for bad debt items that  
23 were displayed are not allowed. At this point, any bad debt item  
24 that meets its predetermined minimum bid request amount may be  
25 deemed to be sold and re-classified into purchased items database  
26 19. Bad debt items which did not meet their predetermined

1 minimum bid request amount may be re-classified into their  
2 respective designated location bidding site database so that they  
3 may be auctioned off at a later time.

4 It is noteworthy to mention that the bidding time frame  
5 available for each bidding phase interval may be predetermined.  
6 Furthermore, it is contemplated that the bidding time frame may  
7 endure for the "long" or "short" term. For example, a long  
8 bidding time frame may allow the particular bidding phase  
9 interval to run for a duration of a week all the way up to a  
10 month, a year, or even beyond. Alternatively, a short bidding  
11 time frame may endure from five minutes all the way up to one  
12 hour, a few hours, a day, or even a few days. Preferably,  
13 however, each bidding phase interval will have a short bidding  
14 time frame that keeps the auction open for a short time duration.  
15 The advantage to having short bidding time frames is that a  
16 higher volume of bad debt items would be made available to  
17 potential buyers. This is because shorter time frames would  
18 translate into a greater amount of bidding phase intervals, many  
19 of which would contain a new assortment of bad debt items. The  
20 end result is that clients would be further enticed to visit the  
21 online auction forum and view or bid on the new assortment of bad  
22 debt items being auctioned.

23 Returning to FIG. 3, client(s) 1, 4, and 7 are able to view  
24 bad debt item 1, indicated by reference character 29, lot package  
25 1, indicated by reference character 33, and apportioned bad debt  
26 1, noted by reference character 37. These bad debt items

1 reference the three distinct types of bad debt items previously  
2 mentioned in this invention. FIG. 4 illustrates each of these  
3 types of bad debt items including various data that each could  
4 contain. The term bad debt item is defined and understood herein  
5 and in the claims to be a generic term referring to any  
6 collection of data comprised of select information derived from  
7 one or more bad debt(s). This includes data relating to one  
8 (whole) bad debt in its entirety, an assortment of distinct bad  
9 debts grouped together (i.e. "lot package"), and a financially  
10 broken-up portion/fraction of a whole bad debt (i.e. "apportioned  
11 bad debt"). A bad debt item referencing one (whole) bad debt  
12 will disclose data pertaining to only one bad debt. A bad debt  
13 item referencing a "lot package" will disclose data pertaining to  
14 two or more distinct bad debts that are grouped together in a  
15 common package. Although the bad debts assorted in a particular  
16 "lot package" can pertain to the same debtor, preferably, the  
17 "lot package" will include debts pertaining to an assortment of  
18 distinct debtors. Furthermore, it is preferred that all the bad  
19 debt items in a lot package would arise from debtors who are  
20 under the jurisdiction of at least one common territory.

21 Auctioning an assortment of bad debts in one lot package is  
22 advantageous when dealing with a multitude of bad debts, each of  
23 which has a low uncollected monetary value. This method  
24 generates a greater incentive for a buyer to purchase the bad  
25 debts than would have been the case had they been auctioned off  
26 individually. For example, most 3<sup>rd</sup> party purchasers would find

1 that the efforts needed to collect a \$250 bad debt is not worth  
2 their while, and thus, not bid for it. However, when 5 of these  
3 \$250 bad debts are sold together in one "lot package", the  
4 incentive to purchase them increases tremendously. One other  
5 advantage in grouping bad debts together is that the buyer is  
6 able to diminish their risk of investment. In the event that one  
7 of the bad debts in the "lot package" becomes uncollectable, the  
8 buyer still has a chance to collect on the other bad debts  
9 included in the "lot package".

10 Finally, a bad debt item referencing an "apportioned bad  
11 debt" will disclose data pertaining to a financially broken-up  
12 portion/fraction of one (whole) bad debt. Auctioning a financial  
13 portion/fraction of a bad debt is advantageous when the monetary  
14 value of the whole debt is large. This is because many buyers  
15 may hesitate to invest a large sum of money for a bad debt note  
16 that has already proven to be delinquent. The higher the value  
17 of the bad debt, the greater the chances that the note will not  
18 be collected from its debtor. By splitting up the debt into 2 or  
19 more financial portions/fractions, however, its sale becomes much  
20 easier and less risky. Here, each of the split portions could be  
21 auctioned off as a distinct bad debt item, thereby diminishing  
22 both investment and risk for the buyer. The result being that  
23 each buyer of an "apportioned bad debt" would become a creditor  
24 of the debtor for the full monetary value of the apportioned  
25 share of the bad debt. Although it is preferred that each  
26 "apportioned bad debt" be auctioned as a sole bad debt item, it

1 is contemplated that 2 or more "apportioned bad debts" may be  
2 grouped together and auctioned as a "lot package".

3 As shown in FIG. 3, each of the three mentioned types of bad  
4 debt items may have three block terminals next to it indicating  
5 the high bid amount, minimum bid request amount, and high bidder  
6 identification number/mark. For example, bad debt item 1,  
7 referenced by character 29, shows a high bid amount of \$1,000,  
8 indicated by reference character 30, a minimum bid request amount  
9 of \$1,000, indicated by reference character 31, and a high bidder  
10 identification number/mark 7777, indicated by reference character  
11 32. This means that the bidder recognized by the numerals 7777,  
12 32, bid \$1,000, as per the minimum bid request amount for bad  
13 debt item 1, 31, and was in fact the high bidder for it, 30. If,  
14 by the end of the one hour bidding time limit 29, no other client  
15 submits a higher bid for bad debt item 1, 29, bidder 7777's, 32,  
16 offer of \$1,000 will be accepted.

17 In a similar fashion, lot package 1, 33, is shown to have  
18 attracted a high bid of \$500, 34, from high bidder 8998, 36.  
19 Unlike bad debt item 1, 29, however, the posted high bid for lot  
20 package 1, 33, has not met the predetermined minimum bid request  
21 amount. Unless the high bid for lot package 1, 33, is equal to  
22 or greater than \$750, 35, at the end of the bidding time period  
23 28, this bad debt item will not be sold. Finally, apportioned  
24 bad debt 1, 37, which has not yet attracted a bidder 40, shows a  
25 high bid of \$0.00, 38, and a minimum bid request amount of  
26 \$3,500, 39. If the indicated one hour time limit 28, expires

1 before the minimum bid request amount is met, apportioned bad  
2 debt 1, 37, will be unsold and preferably classified into the  
3 designated location bidding site database from which it emerged.

4 As further shown in FIG. 3, designated location bidding site  
5 17 may contain various block data input terminals that require  
6 the client to enter information when submitting a bid for a bad  
7 debt item. As illustrated, a client wishing to submit a bid,  
8 inputted their bidder identification number/mark 7777, as  
9 indicated by reference character 41. Bidder 7777 then indicated  
10 the bad debt item (bad debt item 1) which they desired to bid on,  
11 as noted by reference character 42. Third, a bid amount of  
12 \$1,000 was entered, 43. As shown by reference character 44, the  
13 client preferably enters their personal password along with their  
14 bid. Requiring the client to enter their password will promote  
15 reliability in the bidding process by ensuring the legitimacy and  
16 authenticity of the bid. Finally, bidder 7777 clicked on the  
17 "submit" button 45, in order to submit their bid to the online  
18 auction forum. Since this bid was acceptable and was the high  
19 bid for bad debt item 1, 30, it was posted on the designated  
20 location bidding site 17. There, it may be seen by all other  
21 clients who entered that same designated location bidding site.

22 The process for auctioning bad debt items preferably  
23 requires designated location bidding site 17 to function in  
24 conjunction with designated location bidding site database 18,  
25 both of which are related to a common geographic territory. Bad  
26 debt items stored in a particular designated location bidding

1 site database are preferably rotated from this module to their  
2 associated designated location bidding site, and back. This  
3 process may repeat until the bad debt items in the particular  
4 designated location bidding site database are sold, at which time  
5 they may be re-classified into purchased items database 19 for  
6 processing. As illustrated in FIG. 5, the "Los Angeles" location  
7 bidding site database 46 communicates with the "Los Angeles"  
8 location bidding site 47. Bad debt items contained in database  
9 46 are placed on display in bidding site 47 during a given  
10 bidding phase interval. If after the conclusion of the bidding  
11 phase interval, a bad debt item is sold, it may be re-classified  
12 into purchased items database 19, as shown by reference character  
13 48. There, the "sold" bad debt item will be stored for  
14 processing and submission to the buyer. Bad debt items displayed  
15 on bidding site 47 that are not sold during the bidding phase  
16 interval, may be removed from that location and placed back into  
17 database 46, whereupon a new group of bad debt items could be  
18 taken out of database 46 and displayed on bidding site 47.

19 Similarly, bad debt items located in the "New York City"  
20 location bidding site database 49 may be displayed on the "New  
21 York City" location bidding site 50. Those that are sold at the  
22 end of the bidding phase interval may be re-classified into  
23 purchased items database 19, as shown by reference character 51.  
24 Bad debt items that are not sold during the bidding phase  
25 interval may be removed from bidding site 50 and placed back into  
26 database 49, whereupon a new group of bad debt items could be

1 taken out of database 49 and displayed on bidding site 50.  
2 Finally, the same scenario repeats with bad debt items contained  
3 in the "Chicago" location bidding site database 52 and the  
4 "Chicago" location bidding site 53. Reference character 54  
5 indicates the re-classification of bad debt items that were sold  
6 from the "Chicago" bidding site 53, into purchased items database  
7 19.

8       Bad debt items displayed in a given bidding phase interval  
9 can be selected from their designated location bidding site  
10 database by numeric, random, or manual selection. With numeric  
11 selection, software 15 may select the bad debt items for a  
12 bidding phase interval based on the numeric positioning of each  
13 bad debt item in its given database. Thus, if there are 100 bad  
14 debt items in the "Los Angeles" location bidding site database  
15 46, 15 of which are to be selected per bidding phase interval,  
16 the first 15 may be chosen, followed by the next 15, and so on.  
17 With random selection, software 15 will select the bad debt items  
18 from their respective database without regard to their numerical  
19 positioning in the database. For example, assuming that only 15  
20 bad debt items are to be chosen from the "Los Angeles" location  
21 bidding site database 46, bad debt items numerically positioned  
22 16<sup>th</sup>, 35<sup>th</sup>, and 80<sup>th</sup> can be posted in the same bidding phase  
23 interval. Finally, bad debt items appearing on a bidding phase  
24 interval can be selected on the basis of an order preference of  
25 the controlling personnel of the online auction forum. This will  
26 allow for specifically chosen bad debt items to be displayed in a

1 selected bidding phase interval, as per a preferred  
2 organizational arrangement.

3 FIG. 6 illustrates, in block diagram form, the real time  
4 operation of a preferred embodiment of the method 100 of the  
5 present invention. As shown, a client starts at block 55 after  
6 accessing the remote host system 14 from a remote location. As  
7 previously mentioned access to the online auction forum is  
8 preferably predicated upon entering a host web page application  
9 13. Thus, in FIG. 6, a host web page is displayed at block 56.  
10 The client then decides whether to enter the online auction  
11 forum. If yes, the online auction software 15 initializes, block  
12 57, whereby the client is asked if they are new to the site,  
13 block 58. If no, the client is taken to the client log-in page,  
14 at block 63. If the client is new, however, they are taken to a  
15 registration page, block 59, where they may register with the  
16 online auction forum. Although the client may register at any  
17 time during an online session, it is preferable that they  
18 register prior to entering into a designated location bidding  
19 site. Registering with the online auction forum is necessary as  
20 it allows a client to open a personal account, establish a user  
21 profile, and provide the information needed for processing bad  
22 debt items purchased by them.

23 At block 60, it is determined whether the registration is  
24 successful. If no, the client is taken back to the registration  
25 page, block 59, otherwise, the client information is received and  
26 recorded by the host service provider, block 61. At this point,

1 the client is assigned a unique bidder number/identity mark,  
2 block 62 and taken to the client log-in page, at block 63.

3 After a successful log-in, as determined at block 64, the  
4 location bidding site selection menu is displayed, block 65.

5 Upon selecting a specific locality from the menu, block 66, the  
6 client is taken to the designated location bidding site  
7 associated with that locality, block 67. Here, the client may  
8 view the listed bad debt items currently running on the auction,  
9 block 67, or decide to bid for any one of them, block 68. In the  
10 event that the client decides to change the selected location  
11 bidding site locality, block 69, they will be exited out of that  
12 designated location bidding site and brought back to the location  
13 bidding site selection menu, block 91.

14 If deciding to bid, however, the client will enter the item  
15 number corresponding to the bad debt item, block 70, the desired  
16 bid amount, block 71, and their personal password, block 72.

17 Prior to submitting the bid, the client may go back to the  
18 designated location bidding site and view other bad debt items or  
19 modify their bid, block 92. Upon a decision to submit their bid,  
20 block 72, online auction software 15 verifies if the auction time  
21 for the particular bidding phase interval has expired, block 74,  
22 and if the bid data entered (bid particulars and client  
23 identification) is valid, block 76. If the auction time is  
24 expired, the bid is rejected, block 75, and the client remains on  
25 their selected designated bidding site, block 92, which will most  
26 probably display a new bidding phase interval containing a fresh

1 assortment of bad debt items. In the alternative, if the auction  
2 time has not expired, but the bid data was entered incorrectly,  
3 the bid, likewise, is rejected, block 75, and the client again,  
4 remains on their selected designated location bidding site, block  
5 92. Until the auction time has expired, the client may go  
6 through this process over and over in order to submit their bid  
7 for the same or a different bad debt item.

8 If the auction time is not expired and the bid data was  
9 entered correctly, the online auction software 15 will verify  
10 whether the bid amount meets the predetermined minimum bid  
11 request amount for the bad debt item bid on, block 77. If not,  
12 the bid is rejected, block 75, and the client remains on their  
13 selected designated location bidding site, block 92. At this  
14 point, they may re-submit their bid if time is left in the  
15 bidding phase interval. If the predetermined minimum bid request  
16 amount is met, however, software 15 then determine whether the  
17 bid amount is the highest bid amount received for the particular  
18 bad debt item, block 78. Again, if not, the bid is rejected,  
19 block 75 and the client remains on their selected designated  
20 location bidding site, block 92. If yes, the client's bid amount  
21 and identity mark are posted on the designated location bidding  
22 site, block 79 which is viewable to all clients currently in the  
23 same designated location bidding site.

24 At block 80, the software 15 next determines if the auction  
25 time for the bidding phase interval has expired. If no, the  
26 particular bidding phase interval continues, allowing for a

1 higher bid on the same bad debt item to be submitted by a  
2 different client, block 81. If a higher bid is submitted, block  
3 81, the previous client's (now lower) bid is rejected, block 82,  
4 and the new client's bid amount and identity mark are posted on  
5 the designated location bidding site, block 83. Here, the prior  
6 client, who's bid was rejected, may submit a higher bid for the  
7 same bad debt item or simply inquire into other available bad  
8 debt items displayed on the auction.

9 When the auction time expires, block 80, the auction is  
10 officially over, block 84. At this point, all the bad debt items  
11 displayed in the bidding phase interval will be sorted, block 85.  
12 Bad debt items that were able to generate a bid at or above the  
13 predetermined minimum bid request amount will be deemed sold and  
14 re-classified into the purchased items database 19, for  
15 processing. Bad debt items that failed to generate the  
16 predetermined minimum bid request amount are classified back into  
17 their respective designated location bidding site database so  
18 that they may be re-displayed on the location bidding site at a  
19 later time. With this accomplished, a new auction will begin on  
20 the same designated location bidding site, with a new bidding  
21 phase interval containing a fresh assortment of bad debt items,  
22 block 86. If the client wishes to exit the online auction forum,  
23 block 87, they will be logged off the host service provider,  
24 block 88, and have to go through the log-in process the next time  
25 they wish to enter the site, block 90. If the client decides to  
26 remain on the online auction forum, but change the locality of

1 the selected designated location bidding site, block 89, they  
2 will be taken to the location bidding site selection menu, block  
3 91. If neither is the case, the client will simply remain on the  
4 previously selected designated location bidding site and view the  
5 new assortment of bad debt items being auctioned off, block 92.

6       Although the above discussion focuses on an auctioning  
7 process, it is further contemplated that bad debts may be sold  
8 via an outright sale to buyers that are logged onto an online  
9 forum. Like an auction, an online forum engaged in outright  
10 sales of bad debts would utilize the same mentioned assorting  
11 arrangement based on the geographic location where jurisdiction  
12 is present over the debtor.

13       The present embodiments of this invention are thus to be  
14 considered in all respects as illustrative and not restrictive;  
15 the scope of the invention being indicated by the appended claims  
16 rather than by the foregoing description. All changes which come  
17 within the meaning and range of equivalency of the claims are  
18 intended to be embraced therein.

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